DISARMAMENT

A periodic review by the United Nations

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Address of the Secretary-General to the Conference on Disarmament

Economics and Disarmament After the Cold War

Oscar Arias
Amartya Sen
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Lawrence R. Klein

United Nations

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Note from the Editor

An old saw has it that nothing in this world comes without a price. The maintenance of security is no exception. But putting a price tag on national defence is a complex and sensitive issue. It can arouse intense debate at the national level about its political, security, economic and social implications. Preserving a nation's security and independence is one of the most solemn responsibilities of a State to its people. A government's choice of the best way to defend the country, how much of that defence will rely on military capability, and how much to spend on defence, however, may impact other countries, and affect it in turn.

The economics of defence and disarmament is an item that has of late been neglected in international discourse (except in reference to paying for the safe dismantlement of weapons and weapons systems). Yet the international community has long recognized the importance of the subject to the maintenance of international peace and security and disarmament.

In 1980, the General Assembly introduced the United Nations system for the standardized reporting of military expenditure as a confidence-building measure. In 1987, an International Conference on the Relationship between Disarmament and Development took place, addressing many of the economic aspects of the arms race during the cold war, but with few results. In 1992, the Disarmament Commission formulated guidelines and recommendations for objective information on military matters and invited Member States to provide relevant information to the Secretary-General on their implementation.

As the cold war came to an end, optimistic predictions were made of the benefits of the so-called peace dividend, particularly from an East-West arms build-down. As it is,

other security and economic pressures, among them the actual cost of dismantling and eliminating weapons, prevailed. Those optimistic forecasts did not materialize and the peace dividend has not rendered the results expected.

Economists have a special insight and understanding about the ramifications of defence budgets and spending. When Economists Allied for Arms Reduction (ECAAR), a non-governmental organization in consultative status, approached the Centre to inquire about devoting an issue of DISARMAMENT *to economics and security issues, the Centre welcomed the project in the framework of the objectives of the United Nations Disarmament Information Programme (UNDIP). ECAAR has been associated with the activities of the Centre for Disarmament Affairs for a number of years. Its charter aim is to encourage economists to apply the tools of economic analysis to questions of war and peace and,* inter alia, *to support the movement for world disarmament. That ECAAR was able to enlist several Nobel Laureates on its Board of Trustees to submit material for the publication made the proposal that much more enticing.*

Oscar Arias *positions us in the global village as we move into the twenty-first century, defining his notion of the demilitarization of society, pointing to new definitions of national and international security, and highlighting the potential benefits of the establishment of a global demilitarization fund.* Amartya Sen *addresses the issue of the interrelationship between wars and famines and how societal, economic and political divisions and incentives can come into play to cause or help to prevent them.* John Kenneth Galbraith *looks at the influence of autonomous military power on society in both wealthy and poor countries.* Koichi Hamada *discusses how the renunciation of war in the Constitution has contributed to making Japan a world-class economic leader.* Lawrence R. Klein *describes trends in global military*

spending and offers an explanation of what has happened to the peace dividend.

The Centre is pleased to have collaborated with ECAAR in this publication. It would like to thank the authors of the articles for their stimulating contributions to the debate on economics and disarmament. A special word of appreciation goes to Professor Walter Isard of Cornell University, member of ECAAR and joint editor of* Peace Economics, Peace Science, and Public Policy *(a publication of ECAAR and the Peace Science Society, International), who gathered, researched and edited the ECAAR articles.*

*The views expressed in these articles are those of the authors and do not necessarily reflect the views of the Secretariat.

Address of the Secretary-General to the Conference on Disarmament 30 January 1997

Kofi Annan

I am honoured and delighted to be able to address this vital forum, so early in my term as Secretary-General.

The world no longer lives under the shadow of the cold war. But today, the nations and peoples of the world are looking to this Conference to press ahead with the global disarmament agenda. They hope that this Conference can bring the twin threats of weapons of mass destruction and the world's growing stockpile of conventional weapons under control.

They expect this Conference to advance one of the fundamental objectives of the United Nations: the maintenance of international peace and security.

Ten years ago, even the most optimistic supporters of disarmament could not have expected the cold war to end so abruptly. Nor could we have imagined that its end would lead so rapidly to so much positive cooperation at the unilateral, bilateral, regional and global levels.

Today, we have all been jolted out of established strategic concepts born of the cold war and the constant threat

The annual session of the Conference on Disarmament began on 20 January 1997.

of nuclear confrontation. As Secretary-General, I welcome the positive efforts made to advance international cooperation in the three vital areas of chemical, biological and nuclear weapons.

A variety of successful unilateral measures and mutual agreements on the downsizing of nuclear stockpiles have been put in place. And the nuclear Powers continue to cooperate in seeking safer ways of dismantling weapons and of handling and storing fissile material.

The Treaties of Bangkok and Pelindaba, and further consolidation of the Treaties of Tlatelolco and Rarotonga, provide an ever stronger foundation for further advances in the field of nuclear non-proliferation. These Treaties have enhanced the security of the States which are parties to them.

Within a few months of its approval by the General Assembly in September 1996, the Comprehensive Nuclear Test-Ban Treaty (CTBT) had already been signed by 140 States. These include all five nuclear-weapon States, and more than two thirds of the Member States of our Organization.

We shall soon witness the entry into force of the Chemical Weapons Convention and the inauguration of its implementing organization.

I urge all those States that have not yet ratified the Convention, and in particular, declared possessors of chemical weapons such as the Russian Federation and the United States, to do so before it enters into force. I welcome the commitment of their Governments to achieving that important goal.

The States parties to the Biological Weapons Convention met last year. They agreed to continue seeking ways of reinforcing its international authority through the negotiation of a verification regime. I strongly support these efforts.

All of these developments add up to a new and positive climate in the international security arena.

We know, however, that uncertainties and serious challenges remain. We must do more, all of us, to develop and enhance new international structures, and to redefine the mechanics of international relationships in the post-cold war era. A new international security agenda must be agreed, which takes account of our rapidly changing world.

This Conference, therefore, faces a new and serious challenge. Its mandate makes it the sole international body with responsibility for negotiating agreements on arms regulation and disarmament. That is a heavy responsibility. How can your Conference best discharge it, and help to define a new disarmament agenda for the closing years of this millennium?

Further decisive progress towards nuclear disarmament has become an expectation of the new era. I add my voice to those who have expressed strong support for the urgent need to continue with the process of nuclear disarmament and non-proliferation. The possibility of nuclear accidents, illicit trafficking in nuclear materials and the threat of nuclear terrorism all underline the need to maintain progress in this area.

Nuclear disarmament must remain a priority for the international community. In this respect, your Conference has a unique opportunity to build on the successful work of the 1995 Review and Extension Conference of the Parties to the Nuclear Non-Proliferation Treaty (NPT). Although the Treaty has not yet achieved universality, it embraces almost the entire membership of the United Nations. Its decisions could, therefore, constitute a broad guideline for further steps in this field.

One such step should be a convention banning the production of fissile material for nuclear weapons or other nuclear explosive devices. I am aware that this issue poses enormous technical and political difficulties. But I would also

remind the Conference that we can never move forward, unless we are prepared to start talking.

In my view, the mandate of the ad hoc committee established by the 1995 Conference is inclusive of the positions of all States. I urge the Conference to find a way to build on this positive start and to begin negotiations as soon as possible.

The implementation of the international community's commitment to the irreversible process of nuclear disarmament represents one of the overarching challenges of our time. The specific character of your Conference—a forum of high-standing and broad representation—makes it eminently qualified to lend its support to efforts aimed at furthering this noble objective. I hope that the Conference will be able to avoid a situation which could jeopardize this shared goal.

In addition, your Conference has long been concerned over the related issue of security assurances to non-nuclear-weapon States against the use or threat of use of nuclear weapons. This issue could be usefully re-examined to determine how such assurances can be strengthened further.

The traditional concerns of this Conference have been weapons of mass destruction. But the increase in local and regional conflicts since the end of the cold war has made the issue of conventional weapons an urgent and important one. These are the weapons which are actually killing combatants and civilians in the tens of thousands every year. We know just how helpless the international community can be when massive amounts of conventional arms are allowed to accumulate, legally or illegally, within States.

Of course, weapons in themselves do not cause war. But an excess of arms breeds the suspicion and mistrust that can heighten tensions and lead to violent conflict.

Our challenge today is to build on our hope and optimism at the end of the cold war, and not allow real progress

in international security to be undermined by new conventional arms races at the regional and subregional levels.

On a personal level, I owe a huge debt of gratitude to the courage and devotion of United Nations peace-keepers and to other international personnel.

They face the daily threat posed by millions of indiscriminately laid anti-personnel land-mines. These weapons have become weapons of terror.

That is why I urge all States to ensure that amended Protocol II of the Convention on Certain Conventional Weapons enters into force as soon as possible and to comply fully with its provisions. I welcome the growing movement in favour of national measures to curb the transfer and use of these weapons and the commitment of more and more States to negotiate an effective legally binding total ban on them.

While it is for the international community to decide the best venue for the negotiating process, it would seem logical for the Conference on Disarmament to play a role.

The security challenges facing the international community can appear daunting. But they are far from being insurmountable. There are solid grounds for optimism. The Conference has the vision and the tools needed for success. An increased membership gives greater scope for new ideas, suggestions and proposals. Any further expansion of membership must ensure that the effectiveness of the Conference is preserved, while maintaining its important geographical and political balance.

One of the strongest instruments the Conference has at its disposal is a consensus approach to problem solving. Without consensus, the solid foundations needed for further disarmament agreements and concerted international action cannot be built. Consensus protects the interests of each State, big or small, and ensures that negotiated treaties and conventions command the widest possible support.

The Conference has a proud record of endeavour and of lasting achievement. In short, there is no institution on earth better qualified than your Conference to translate the world's constant yearning for peace into practical, negotiated measures for enhancing international understanding and the security of all nations.

I pledge my full cooperation, and that of the United Nations, for your essential work. I wish you all a productive and successful session in 1997.

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Economics and Disarmament After the Cold War

Human Security: Our Common Responsibility

Oscar Arias

A century is an extremely short period in the history of humanity. However, if our grandparents had met at the end of the nineteenth century, they would have seen each other as exotic ambassadors from mutually impenetrable cultures. Much of their attention would be focused on the limitations imposed upon their relations by geographical distance. For them, the vastness of the Pacific Ocean would put Japan and the Americas in two radically different worlds, with a bare minimum of contact through trade and cultural exchange.

At that time, the community of interests among our countries was as tenuous as the morning mist that coats the tropical highlands. Today, on the contrary, I crossed the greatest of all oceans in only a few hours. We are familiar with each other's cultures. I bring no news of my part of the world that you could not have received before my arrival. I would not be surprised if one of my Japanese friends had greeted me by

Nobel Laureate Oscar Arias is a former President of Costa Rica and directs the Center for Peace and Reconciliation in that country.

Based on a paper presented at the ECAAR Japan Symposium on Economics of Disarmament and International Security, 12 September 1994, at the United Nations University, Tokyo.

saying: "Dear neighbour, it is not necessary to tell me of your misfortunes, for last night I heard crying at your house." Similarly, my speech could be reduced to something like: "Dear neighbours, I have come to share in your celebration because this afternoon I heard exclamations of joy coming from your homes."

We live in a neighbourhood, a village. This metaphor is so apt that I cannot resist the temptation to add a warning to my hypothetical greeting. "Neighbours, let us be careful so that we may avoid the fire that threatens to consume our houses, and spread until the entire village goes up in flames." While I realize that this gesture may seem pessimistic, I am also certain that the warning is necessary.

The village to which I refer is, of course, our planet. It is a village inhabited by humanity for only a very few years. All people and all societies are bound to this village—we cannot leave. Thus, the security of this village is the security of all human beings. The security of our village is a common responsibility.

Human security is a common concern ... It cannot be guaranteed in one region of the world, if it is ignored in others.

More horrible than even the possibility of fire, would be for me to have to say: "Dear neighbours, my house has started to burn. How long before the fire spreads to your homes?" Without doubt if a citizen of Haiti, or Somalia, or Bosnia, were speaking to you right now, they could ask this question without any risk of overstatement. But the truth is that, in many other countries of the so-called third world, potential fires are contained under a deceptively calm surface. We must prevent these fires from erupting and enveloping the entire village. And so, we must speak out now, before it is too late.

Human security is a common concern. It is a need that can only be understood and satisfied in global terms. It cannot be guaranteed in one region of the world, if it is ignored in others. This is one of its many differences from the concept of national security, which gave primacy to concerns of the economic and military hegemony of some nations over others. In times past, empires and nations usually defined their security in terms of economic and military power. They were able to avoid responsibility for the fate of individuals and societies outside their sphere of influence. But today, threats that weigh upon individual States and empires are threats that weigh upon the entire world.

In the dense rain forests of Central America, Mother Nature frequently provides us with an enlightening experience: when a storm topples a tree, its roots pull up the roots of the surrounding trees, causing them to fall as well. In much the same way, today's world is a compact forest of cultures, States, and nations, whose roots form an interlacing, inextricable network. The survival of each tree depends on all the others. The tumult of a nation traumatized by war, by oppression, or by poverty, is the first cry of a tree on the verge of falling. It is a cry of danger for the entire forest.

At the end of the twentieth century, humanity is at a point where it must decide its own fate. We can try to continue to survive in a forest of insensible brutality, where trees in danger of falling drag others down with them. Or, we can maintain the security of a global neighbourhood in which each neighbour is concerned with the well-being of the entire community.

In such a global neighbourhood, individuals have to cooperate for all imaginable purposes: to maintain peace and order, to expand economic activity, avoid further pollution, stop global warming, fight pandemic diseases, promote disarmament and denuclearization, check desertification, eradicate corruption, protect biodiversity, combat terrorism,

prevent economic recessions, curb drug trafficking, and so the list goes on. Problems requiring all nations to make joint efforts are on the rise. What happens in far-off places matters much more now, as no place is very far in a neighbourhood. A decision made today by a Japanese board of directors can determine the fate of an indigenous culture in Brazil. The use of aerosols in Europe leads to a certain increase in skin cancer in South America. An agricultural disaster in Russia can amount to widespread famine in East Africa. Conversely, economic growth in East Asia can protect employment in North America. Tariff changes in Europe can ease or increase pressures threatening the survival of forests in Africa and Latin America. Industrial restructuring in the North could mean reduction of poverty in the South, which in turn could enlarge markets for the North. The shortening of distance, the multiplying of links, the enlarging of interdependence, are the factors transforming the world into a global neighbourhood.

People's perception of the world as one and of the unity of humankind have also been enlarged.

People's perception of the world as one and of the unity of humankind have also been enlarged. Movements motivated by a feeling of human identity transcending national divisions are another mark of the world's evolution into a global neighbourhood. These movements, unbounded by frontiers, have underlined the common humanity of the world's inhabitants by working to emancipate women, to protect human rights, to achieve a less polluted planet or to eliminate nuclear weapons. They are the increasingly important components of the emerging global civil society. Additionally, the innumerable individuals whose contributions enable a myriad of voluntary agencies to assist development or engage in humanitarian work provide further evidence of

the "globalization" of perceptions and, more important, of loyalties and identities.

But these tendencies are not enough to ensure a cohesive and safe neighbourhood. The global neighbourhood we have built up to now is far from perfect. Its members are not fairly treated, as they do not share the same opportunities. Many are so dispossessed that they do not experience the feeling of belonging to a neighbourhood. In fact, the tide of progress that has washed over the world in recent decades has bypassed a huge part of humanity. This part of humankind, relatively untouched by the communications revolution, has been confined to a state of isolation and neglect.

The global governance that we seek does not demand the abdication of sovereignty on the part of nation-States.

Disparities in the global order create tensions and conflicts that transcend borders. The global neighbourhood offers no sanctuaries. No shelters are available to insulate people from disease, poverty, nuclear holocaust or environmental catastrophe. These problems and threats are not individual crises; they are all elements of the great crisis confronting the global neighbourhood. It is a crisis that demands global solutions and global unity. Without these solutions, human security will not be possible. The global neighbourhood will be ungovernable, and will run the risk of collapse. Our efforts will be successful if the international community strengthens multilateral institutions, such as the United Nations, that can act legitimately, in the name of the international community, to confront global problems and even prevent them when they are still confined to local or regional spheres.

The global governance that we seek does not demand the abdication of sovereignty on the part of nation-States.

However, it is essential that we recognize the limited relevance of many artificially created borders, as well as the growing permeability of borders defined by geography, ethnicity, economy or culture. The almost spontaneous reunification of Germany is an example of the futility of forcing the separation of the naturally inseparable. On the other hand, the terrible tragedy of Rwanda demonstrates that the inclusion of diversity within arbitrary borders can create an inevitable danger to individual security.

The United States attempts, with less than satisfactory results, to use diplomatic and policy channels to halt the flow of illegal immigrants crossing its borders from Asia, Latin America, and the Caribbean. Western Europe finds itself in a similar predicament with respect to migratory pressure from Eastern and Southern Europe. The permeability of borders that so worries rich nations must be recognized as a symptom of neglect with visible origins. Economic relations among nations continue to be subject to inequities that favour certain nations or groups in the short run, but have deleterious results for all in the long run. For example, the almost ruthless treatment accorded to African and Latin American nations with respect to their foreign debt and agricultural exports accelerated the rate of impoverishment in that region during the last decade. Impoverishment has led to the disorderly exodus of the poor from the country to the city, as well as a simultaneous increase in illegal immigration into the North.

In quantitative terms, human security represents the degree to which human beings are protected from ignorance, sickness, hunger, neglect, and persecution.

Both phenomena reaffirm the notion that human security concerns everyone, regardless of their current situation. The disorderly and massive growth of the cities of

poor countries creates a vicious cycle of misery and violence, while illegal immigration is interpreted by rich countries as a threat to their own social stability. The rich, even if they stay where they are now, will inevitably share in the insecurity that accompanies misery. If only by appealing to our selfishness, we must realize that human security is a common concern.

Human security, in contrast to the traditional concept of security linked to military capacity and economic power, does not hold national or ethnocentric connotations. In quantitative terms, human security represents the degree to which human beings are protected from ignorance, sickness, hunger, neglect, and persecution. It is the degree to which human life and dignity are respected. In the turbulent world of the late twentieth century, however, we frequently lose sight of the human being as the principal impetus of all political action. The modern international system, dominated by realism and the market, and swept up in the frenetic search for greater competitiveness and increased levels of production and consumption, frequently ignores the people whose well-being must be the most important goal of our time.

Today, poverty deprives our fellow human beings of the fruits of democracy, peace, and liberty. It invades our cities, bringing devastation and discord to our communities. As we have seen in Central America, it is not enough to dismantle dictatorships and end war, if we do not eliminate the underlying causes of poverty. We have practically defeated dictatorships and violence. But another war follows. Our next historic concern is the struggle for human security, against global poverty.

...poverty is the enemy of us all, even of those who enjoy prosperity.

Though it may seem that poverty affects only the marginalized and the minority, poverty is the enemy of us all, even of those who enjoy prosperity. Poverty penetrates every

corner of our societies, every suburb and every metropolis, bringing devastation and discord where there were once affluence and harmony.

We must decide if we want the street of our nascent global neighbourhood to be overrun by arms and power-hungry soldiers, or if we want to establish a compact of peace for our community. I believe that our future security resides in demilitarization. Allow me to make two observations in this regard. First, when I speak of demilitarization, I am not referring exclusively to demobilization and disarmament. Troop reductions and the destruction of arms are important, but not all-encompassing steps towards demilitarization. They do not take into account more far-reaching aspects of the process such as retraining efforts, reintegrating military personnel into civil society, and increasing civilian participation in the political process. I am also not necessarily suggesting the abolition of the armed forces in all countries. Although such an end is desirable, current circumstances make such an accomplishment quite difficult in the foreseeable future.

Rather, in speaking of demilitarization, I am thinking of a gradual process which allows for the transformation from a culture of violence to a culture of democracy and consensus. To demilitarize means to reduce the role of the armed forces and other military organizations so that they work exclusively with national defence concerns. Demilitarization implies the creation of broader definitions of security that go beyond purely military connotations to include such concepts as *human security* and *lasting security*, which, by focusing on the individual and collective well-

Demilitarization is the gradual process of transformation from a culture of violence to a culture of democracy and consensus.

being of our citizens, provide a more humanitarian approach to security issues. To demilitarize means to make the armed forces accountable to those who are democratically chosen through free and fair elections. Demilitarization also suggests the discovery of new multilateral collective security mechanisms that guarantee national sovereignty in the face of external threats, and that allow nations to reallocate resources originally designated for defence purposes to social programmes and human development projects.

The proposal for a global demilitarization fund.

For many years now, I have been proposing the establishment of a Global Demilitarization Fund. In brief, the idea is to create a fund with voluntary contributions resulting from reductions in military spending that will allow the world to take advantage of the so-called peace dividends. With the reduction in military spending between 1987 and 1994 at a rate of no less than 3 per cent per annum, an estimated cumulative dividend of $935 billion was trimmed from defence budgets—$935 billion that might have contributed substantially to achieving global peace and human security.

This Fund could stimulate the current decline in military spending by linking the reduction in military expenditure to the consolidation of world peace. The nations of the world, both rich and poor, should commit themselves to at least a 3 per cent per annum reduction in their military spending levels over the next five years. The rich nations should then agree to earmark at least one fifth of these savings towards a demilitarization fund that is under international jurisdiction. Developing countries should also agree to contribute a fraction, perhaps one tenth, of these savings towards such a fund. In this manner, a portion of the peace dividend would be committed to promoting global demilitarization.

By demilitarizing, we empower our people's minds and potential instead of training them to pull a trigger or lay a mine. We free resources to address the problems of poverty and want. How can we contribute to the collective defence of human security?

Collective defence:
-Reducing arms sales and military aid
-Easing the debt burden
-Rechanneling military dividends
-Reviewing collective security.

First, we demand that arms sales and military aid be reduced. When wealthy nations sell or give arms to poorer ones, they perpetuate an outdated cold war mentality based on global military competition. Though some military threats remain, I believe more military threats are created among the developing nations through proliferation supported by the industrialized nations that supply an overwhelming majority of the arms received by and used in the developing world.

Second, we work to ease the debt burden of countries struggling to provide human security for their people. In addition to the huge influx of weapons into poor countries, many of these nations in the developing world are swamped by debt service payments that sap large portions of their gross national products (GNP). I believe that no developing country should be asked to spend more than 3 per cent of its GNP, or 10 per cent of its export earnings, on debt servicing. Additionally, the United Nations should advocate the forgiveness of the bilateral debt of developing countries that have demonstrated substantial progress in their reduction of military expenditures, democratization, and respect for human rights. However, this treatment should be linked to direct reinvestment in effective efforts for environmental conservation and projects

contributing to human needs, such as health, education, and low-cost housing.

Third, all of our countries, rich and poor, must recommit themselves to the people. We must rechannel our monetary dividends of peace and our multinational and unilateral efforts to projects of determined, sustainable human development and progress.

Finally, we must review our concept of collective security. Coming from a small and unarmed nation as I do, I understand how small demilitarized nations will depend upon collective security. However, we must look at our systems from a new perspective, one which sees international peace and security as the defence of human dignity in addition to the security of nations and borders. We must attempt to bring all nations into the fold of collective security, regardless of the number of soldiers they can contribute. Their defence of a righteous cause will serve as a signal of hope and unity to the global neighbourhood.

Fate has given us the opportunity to live in an extraordinary era. Moreover, it has granted us the intellectual and material resources necessary to embark upon a crusade against the evils that afflict millions of human beings throughout the world. But this crusade demands sacrifices by those who have not been touched by poverty. We may be called upon to make material sacrifices to save ourselves. It remains to be seen if we have the vision and courage to make these sacrifices.

Human security may be a utopia, a dream. But I still cling to my hopes for our future. For we are toying with nothing less that the future of humanity. It is too important not to take a stand.

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Wars and Famines: on Divisions and Incentives

Amartya Sen

Famines have often been associated with wars. This historical link has re-emerged with remarkable force in the modern world. Famines have devastated war-torn countries in sub-Saharan Africa, such as Angola, Chad, Ethiopia, Mozambique, Somalia, Sudan, and many others. The association is not confined to sub-Saharan Africa, and there are terrible examples elsewhere as well, e.g., in Cambodia. Sometimes, famines have also occurred in wartime without being directly related to military actions, e.g., the Bengal famine of 1943, which occurred soon after the Japanese army moved into the neighbouring province of Assam and just after Calcutta was—rather slightly—bombed.

The relationship between wars and famines is a messy subject, and it would be hopeless to try to get a simple formulaic connection between the two types of phenomena. Nevertheless, there is considerable evidence that the preparation for and the execution of wars do often adversely influence the ability of famine-prone countries to escape mass starvation. Given the importance of the subject, it may be useful to

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attempt a preliminary sorting out of issues, dealing particularly with the different ways in which wars and warlike activities can weaken a poor country's defences against famines.

I should begin with a couple of disclaimers. First, in this paper, I shall concentrate on the role of wars in the causation of famines, rather than the converse (i.e., the role of famines in the development of wars). It is indeed possible to argue that famines, in their turn, can contribute to the development of wars, but in this essay I shall not be directly concerned with that part of the possible linkage. This paper is about the different ways in which wars and military activities can—directly or indirectly—serve as causal antecedents of famines.

Second, the choice of focus in this paper is deliberately biased towards more indirect rather than direct links between wars and famines.[1] The relationship between wars and famines has some simple and easily identifiable aspects. Wars destroy crops. They devastate the economy and ravage the stock of productive capital. They damage transport facilities and disrupt movements of food and other commodities. There do indeed exist clear and easily identifiable links between the two phenomena. While these aspects of the relationship between wars and famines are undoubtedly important and have been noted often enough,[2] they should not deflect us from investigating more complex and less obvious interconnections between the two.

I shall argue that a central feature of the role of military activities in the causation of famines is the accentuation of economic and political divisions as a consequence—direct or indirect—of these activities. That accentuation can be analysed in terms of the economic and political incentives that influence actions and policies. Intermediation through social divisiveness is the primary focus of the approach explored in this paper.

It is not being claimed that this perspective captures most of the factors that causally link famines to wars. It is, however, *inter alia*, a fruitful general connection to pursue—an associative linkage that is often missed in presentations that focus on the more immediate features of material destruction caused by wars. It is useful in this context to make use of what we do know about the causation of famines in general and see the contribution of wars in that overall background.

Divisions and incentives

Famines are caused by the inability of some sections of the population to command adequate food for survival. The vulnerable groups face starvation as a result of declines in their "entitlements" (i.e., the set of commodity bundles over which a family can establish operative control). Such an entitlement decline can happen in many different ways. The anticipation as well as the prevention of famines must take adequate note of the diverse ways in which entitlement failures may occur.[3]

A decline in food output can, of course, contribute to entitlement failures, even though it is not a necessary condition for such failures. A crop loss directly affects the food entitlements of peasants and share croppers, and indirectly makes it harder for others to command food in the market, especially through increased relative price of food. Famines have occurred, however, even without a decline in food output. Indeed, sometimes they have taken place in situations of "peak" availability of food in the economy.[4] No less importantly, even when famines take place in situations of reduced food availability, that availability decline can be one of many factors responsible for the inability of the famine victims to establish command over food.

Entitlement failures leading to famines can have many different causal antecedents. They can result, for example, from unemployment, leaving people without the economic means of commanding food. That connection,

much explored in the recent literature on famines, was identified by Adam Smith himself.[5] Large-scale starvation can also result from severe declines of money wages in relation to food prices, making it hard for many to buy food, even when there is no job loss. Similarly, declines of exchange rates vis-à-vis food may erode the food-buying power of sellers of commodities such as services and craft products. There can also be other economic changes leading to sharp declines of the entitlements of particular groups of people in the society.

Wars and military activities can disrupt the entitlements of vulnerable groups even without destroying crops or disrupting production or transport.

Famines are divisive phenomena. Typically they affect only a small section of the population—rarely more than five or ten per cent of the people.[6] They have much more to do with the power to command food on the part of particular occupation groups than with the overall availability of food. Wars and military activities can disrupt the entitlements of vulnerable groups even without destroying crops or disrupting production or transport.

Divisiveness has two aspects—economic and political. The immediate links of famines are with economic divisions. With changes of relative prices and opportunities of transaction, the entitlements of different groups can move in sharply different ways. Sometimes the success of one group in commanding food can contribute to the failure of others to get enough for survival, with Lucifer taking the hindmost.

Economic divisiveness can, however, be moderated by political and legal processes. For example, if a country has unemployment insurance and minimal guarantees of income and food (e.g., through poverty-related rights to assistance),

then the "hindmost" groups will tend to be cushioned from falling below certain thresholds. These minimal guarantees are of crucial importance in preventing famines. This applies, incidentally, even to very rich countries. In the absence of these State-guaranteed rights, the means of commanding food enjoyed by the unemployed would be very meagre indeed even in, say, Western Europe or North America. With an unemployment rate of around 12 per cent, there could easily have been widespread starvation in Britain or Belgium in the early 1980s, but for the protection of minimal entitlements provided by unemployment benefits and other poverty-relief programmes.

In effect, these State-guaranteed supports serve as instruments of political correction of economic divisiveness. It is the absence of these protections in many war-torn economies in the Third World that makes the economic divisions take their full toll. Indeed, these political instruments of entitlement protection may, in fact, be further weakened by wars and by militarism.

In understanding the relationship between wars and famines, we have to see how the political as well as the economic aspects of social divisions relate to war activities. Crucial to all this is the question of incentives. People's ability to command food in the market depends on what is supplied, what is produced, what is transported, and so on, and these economic activities are deeply influenced by the patterns of incentives operating in the economy. But incentives also have political aspects, in addition to economic ones. The willingness of the governments in power to moderate economic destitution by ensuring minimal guarantees depends on the political incentives the governments encounter to act that way. The effectiveness of such protective processes are deeply conditional on the nature of the operative political incentives.

Famine mortality and health services

Wars not only destroy food output and productive capital, they also undermine social services. This is partly a result of the chaos and disruption of wars,[7] but also the consequence of governmental resources being taken away from social services to finance military build-ups.

One field in which such deflection is particularly important and immediate is that of health services. The role of public health measures in preventing famine deaths has often been underemphasized. Indeed, most people who die in a famine die from clearly identifiable diseases rather than from starvation as such.[8] Famines help the rapid spread of disease through the weakening of immunity systems, through population movements, through the breakdown of sanitary services, and through the attempts of the famine victims to eat whatever they can get (including discarded remnants of food picked from the garbage). The delivery of health care is an important part of famine prevention and relief.[9]

The underdevelopment and breakdown of health services can be among the important causal antecedents of large-scale famine deaths. There is, of course, no necessity to neglect health services in preparing for war, and indeed, as will be argued later on, in a democratic country there are reasons to expect a considerable *intensification* of efforts towards widespread health care in wartime. But health care, especially to deal with famine mortality, rarely receives the attention it deserves in highly stratified societies, with militaristic ruling classes.

Investment, complementarity and conflicts

The likelihood of wars also reduces private incentive to make long-run investments. It may not be frightfully smart to set up factories in a would-be battlefield, nor to invest much to improve the quality of cultivable land. One of the remarkable features of famines in sub-Saharan Africa is their

association with stagnation and decline of productive abilities—not just in food production but also in other income-producing activities.[10] Because of the prevention of capital formation (going well beyond the destruction of the existing capital goods), the devastating effects of wars and warlike situations on productive abilities can be much more extensive and pernicious than is apparent from the statistics of capital loss.[11] In this area of economics as in others, "counterfactuals" are a central part of the analysis, and we have to contrast the actual condition with what could have been expected in a situation less ravaged by war-related uncertainties.

The adverse effects on productive abilities and economic opportunities can affect different groups in different ways. The occupation groups directly involved in activities that are shunned or curtailed do, of course, typically suffer most. But the process of economic linkages can adversely influence also the interests of other groups whose entitlements depend indirectly on these activities (e.g., on the use of transport facilities). Further, the reduction in the income of one group can adversely affect the incomes of others who produce commodities demanded by the former, and in this way destitution can "spread".

This feature of "complementarity" in the development of destitution can be contrasted with other interconnections that may have more "competitive" features. Different groups compete for the same supply of food and other vital commodities, and the prosperity of one group can adversely affect the ability of others to establish entitlement over those commodities. The incentives of the market can operate in the direction of deflecting food from one group to another. A war economy often brings about a rapid increase in the purchasing power of one group vis-à-vis another, and the *relative* decline of economic power of the latter group can result, as a consequence, in its *absolute* downfall in terms of the ability to command food and other vital commodities.

For example, the Bengal famine of 1943, in which it is estimated that about three million people died, was directly fed by the "war boom" in Bengal. That province in British India was close to the front line in the war with Japan, and served as a place in which a massive expansion of military and war-related civilian expenditures occurred at that time. The increased purchasing power of those favourably affected by the war boom (primarily located in Calcutta and some other urban areas) allowed them to take a considerably bigger share of the available food supply, leaving the rural masses (especially landless laborers) without the ability to compete in the "food battle".

Interestingly, that aspect of economic divisiveness was not moderated by political intervention in the Bengal of 1943. It was, in fact, exacerbated by governmental provision of subsidized rice for normal residents of Calcutta (through ration shops and "fair price" distribution centers), and those who had been favourably affected by the war boom in earning higher money incomes were *further* helped by the opportunity to buy food at lower prices.[12]

Wars and warlike situations can prevent capital formation and disrupt economic opportunities, affecting the interests of some groups much more adversely than those of others.

The political incentives the government had for giving priority to feeding Calcutta related to the fear of the British Raj that urban unrest could be very disruptive for the war efforts, whereas rural disquiet would be less articulate and less problematic. Deaths in the Bengal famine of 1943 were confined almost entirely to the rural population even though many died in the city of Calcutta after moving there in search of relief.[13] The economically divisive consequences of the war were, thus, magnified and streng-

thened by the political incentives operating on the government.[14]

In addition to damaging food crops, capital goods, transport services, etc., wars and warlike situations can prevent capital formation and disrupt economic opportunities, affecting the interests of some groups much more adversely than those of others. Massive war efforts can also cause economic shifts that sharply alter the balance of purchasing power against some groups, and if these groups are not crucial for war efforts, their predicaments may receive no governmental attention or remedy (indeed government action could worsen their predicaments). The last issue, viz., what the government has incentive to do or not do, is a more general question to which we now turn.

Political incentives and authoritarianism

Do wars make a country *more* politically divisive, or less so? Contrary to what was discussed in the last section, it may be thought that the answer is "less", since war efforts can contribute to generating a spirit of political solidarity in the nation. National solidarity can be an important factor contributing to attention being paid to the interests of the poor, thus working *against* the starvation and deprivation of vulnerable groups. There is some truth in this general expectation. Indeed, in an independent and democratic country the solidarity generated by war efforts can be effectively used to provide support for the more vulnerable sections of the community.

An example of this can be seen in the history of Great Britain during the World Wars. Both in the First and in the Second World War, the British government managed to provide more equal sharing of food and health care. Extensive public efforts were expended in looking after the interests of the worst off.

In fact, while the average availability of food declined in Britain during the Second World War, the incidence of clinical undernourishment also went down with a general improvement of the health conditions of the British population.[15] It is also interesting to note in this context, that the increase in life expectancy at birth in England and Wales was much faster in the two war decades (viz. nearly 7 additional years both in 1911–21 and 1941–51) than in the other decades of this century (life expectancy increased between 1 to 4 years in every other decade).[16]

Even the British National Health Service, which was born just after the end of the Second World War, was to a great extent helped by the war experience of sharing and caring. The pioneering development of a National Health Service to provide health care for all was greatly helped by the solidarity generated by Britain's war efforts.[17] There is a pattern here that is relevant to many countries in the world. But the situation is quite different in societies that lack a democratic system and in which the unequal sharing may be further consolidated by wars.

Wars provide classic excuses for suppressing opposition parties, persecuting political opponents, and eliminating free and independent newspapers.

When a small group of military or civilian rulers, with direct links only to a relatively small section of the people, run a country, wars can strengthen the grip of these regimes and make them even less sensitive to the needs of others. Indeed, wars provide classic excuses for suppressing opposition parties, persecuting political opponents, and eliminating free and independent newspapers. The recent history of sub-Saharan Africa provides many illustrations of this tragic process.[18] With these changes, governments are less vulner-

able to public criticism and can manage to survive extensive starvation caused by the entitlement failures of large occupation groups. Famines caused by differential movements of economic power of different groups may, then, be left largely untouched, without an adequate attempt at recreating the lost entitlements through public support.[19]

The ability to prevent famines exists widely across the world.

Detailed studies of famine prevention in different parts of the world (including India and also such African countries as Botswana and Zimbabwe) bring out the fact that even in situations of severe decline of total food output and sharp reduction of market-based economic entitlements of particular sections of the population, famines can be altogether prevented by public policies aimed at protecting the vulnerable. This can be done in different ways. One effective means is through public employment for anyone who seeks it (and is ready to do a good day's work), thus providing a good channel of recreating the lost purchasing power of the potential famine victims.[20] Such a system has incentive advantages since the self-selection involved in the willingness to work can serve as an effective method of screening (separating out the really needy from those who would like to obtain governmental money without being in terribly dire situations).[21]

The ability to prevent famines exists widely across the world. However, it is remarkable how often this power is left unused. The governments may lack the political incentive to provide this protection if they feel unthreatened by the prospects of a famine. This invulnerability is itself fostered and strengthened by the authoritarianism (including the suppression of opposition parties and newspapers) that tends to go with war situations.

The political incentives are sometimes overlooked in trying to analyse famines in terms of purely economic parameters, but the nature of these incentives can be extremely important for understanding the prevalence or absence of famines.[22] It is a remarkable fact that while famines have occurred not only in market-based free-enterprise economies but also in interventionist socialist countries,[23] they seem to have never occurred in a democratic country, which permits opposition parties and adversarial politics and does not suppress an independent press.[24] If the government has to go to the polls to secure re-election and has to withstand criticism in the media and in the legislatures, it would have good reasons to act quickly and effectively in preventing threatening famines. Indeed, efforts to avert impending crises and calamities can even lead to long-run improvements brought about by a war situation (e.g., as happened in Great Britain during the First and Second World Wars, discussed earlier).

One of the most pernicious effects of wars and warlike situations is a weakening of the opportunity of adversarial politics and social criticism.

The absence of famines in democratic politics applies not only to the richer countries, but also to those poor, developing countries, which have a system permitting adversarial politics and critical journalism. Despite precarious food situations, famines can be effectively averted through public action in protecting the entitlement of potential famine victims.[25] Examples of successful protective action in situations of severely threatening famines can be found in India (in 1967, 1973, 1979 and 1985), Botswana (in 1982–1987), Zimbabwe (in 1982–1984), and elsewhere.[26]

The central issue here is the political incentive that operates on the government to prevent famines, and that incentive is particularly important since famines are almost

always preventable through timely publication. One of the most pernicious effects of wars and warlike situations is a weakening of the opportunity of adversarial politics and social criticism. The excuse for suppressing opposition parties and independent newspapers has often been based on the alleged demands of war efforts, e.g., in many countries in sub-Saharan Africa.[27] The weakness of the democratic structure of many vulnerable economies and the accentuation of that weakness by wars and militarism are among the most important causal antecedents of famines in the modern world.

Concluding remarks

The connection between wars and famines involve the operation of political as well as economic incentives, and the process can work through consolidating and aggravating divisions in the society with disastrous effects on the most vulnerable. It would be a mistake to concentrate *only* on the destruction of outputs and capital in causally relating famines to wars. The economic incentives governing production and distribution and the political incentives affecting public protection of the vulnerable can be the crucial features to look at in understanding how wars cause famines.

The economic incentives governing production and distribution and the political incentives affecting public protection of the vulnerable can be the crucial features to look at in understanding how wars cause famines.

An ideal breeding ground for famines is provided by the coupling of (1) economic processes that make some sections of the population more vulnerable to starvation, and (2) political processes that make many governments more insensitive to the predicaments of the victims. I have tried to

discuss how that coupling is fostered in many circumstances by the prevalence of war and militarism in the developing countries.

Wars can have diverse effects on political divisions depending on the circumstances. In some contexts, they can contribute to more national solidarity, which can in turn lead to public policies that result in a reduction of undernourishment and morbidity (as in Britain during the two world wars). On the other hand, with a non-democratic political structure, led by authoritarian rulers, wars and military alerts can serve as grounds for further suppression of the news media and of the scope for adversarial politics in general. And with that the vulnerability to famines increases through the reduction of political incentives for undertaking preventive public action in a timely and adequate way.

The problem of famines is not, of course, confined to the war-affected economies. But the forces that foster the economic and political preconditions of famines can be particularly encouraged in some circumstances by militarism and war. A better understanding of the contribution of wars to famines calls for a closer examination of these political and economic linkages, and requires us to go well beyond the more obvious features of the destruction of outputs and capital stocks. The less apparent need not be any less potent.

Notes

1 The analysis presented in this paper draws extensively on my monograph on famines, *Poverty and Famines* (Sen 1981) and on my joint book with Jean Dreze, *Hunger and Public Action* (Dreze and Sen 1989). Some of the empirical findings briefly referred to here have been discussed in greater detail in those works, and also in the collection of papers included in a three-volume series, *The Political Economy of Hunger* (Dreze and Sen 1990).

2 It is also worth noting that wars and famines have often been temporally congruent even when the wars in

question have led to relatively little destruction of crops or of productive capital.

3 On this see Sen (1981).

4 On this see Sen (1981) and Dreze and Sen (1989, 1990), among others.

5 "Many would not be able to find employment even upon these hard times, but would either starve, or be driven to seek subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from then extend themselves to all the superior classes" (Smith 1776, pp. 90–91).

6 On this see Sen (1981), chapters 6–9, and Dreze and Sen (1989), chapters 5–8.

7 One of the worst examples in this respect is the disruption of health care and other social services in Mozambique due to the activities of rebels backed by—and partly based in—neighbouring South Africa.

8 On this see Sen (1981: Appendix D), de Waal (1989), Dreze and Sen (1990).

9 On the health-care aspect of famine mortality, see particularly de Waal (1989).

10 See Dreze and Sen (1989), chapters 5–9.

11 The actual and counterfactual destruction of capital applies not merely to the production of material goods (industrial and agricultural), but also to the economic basis of services, trade and finance.

12 On this see Sen (1981), chapter 6.

13 The relief offered in Calcutta was totally inadequate. The government refused to accept responsibility for feeding the destitutes, and indeed Governor Rutherford wrote to the Viceroy explaining why a famine had not been declared and the Famines Codes not invoked (see Sen 1981, pp. 78–83).

14 Some of the specific policies undertaken by the government were also remarkably insensitive to the needs of particular occupation groups. For example, two of the

hardest hit groups in the Bengal famine of 1943 were the fishermen and river transport workers, which had among the highest rates of destitution (see chapter 6 in Sen 1981). Along with other rural labourers, they too suffered from a general decline of competitive power via-à-vis urban dwellers, but in addition their economic opportunities were severely reduced because of the governmental requisitioning—and sinking—of all boats capable of carrying ten people or more, in the river-centred districts of Bengal. This "boat denial policy" was a fairly vague attempt to prevent the boats from falling into the hands of the Japanese army in case it reached there. In the event, the "boat denial policy" made no contribution to the war, but thoroughly decimated those whose livelihood depended on the use of those boats—fishermen and river transporters who had little political influence on White Hall.

15 On this see Hammond (1951). See also Titmuss (1950).

16 On this question, see Dreze and Sen (1989), chapter 10. The measurement for the decade of the 1940s relates to the period 1940–51, but the rates are not much modified by that variation.

17 Richard Titmuss (1950) notes: "By the end of the Second World War the government had, through the agency of newly established or existing services, assumed and developed a measure of direct concern for the health and well-being of the population which, by contrast with the role of Government in the thirties, was little short of remarkable" (p. 506). See also Winter (1986) dealing with public attitudes and State policies during the First World War.

18 The consolidation of authoritarianism seems to have been a common feature, in these circumstances, of governments both of the right and of the left. In addition to the influence of local wars on national politics, sub-Saharan Africa has also suffered from the consequences of the international "cold war", which made the West as well as the Eastern bloc cultivate authoritarian regimes so long as they were, respectively, "allies". The weakening of the cold war in recent years provides an opportunity of breaking that pattern. The indirect encouragement to authoritarianism from abroad has been an important factor

in the development of anti-democratic local politics—and thus of famines—in sub-Saharan Africa.

[19] Even in the Bengal famine of 1943, the war situation was cited as justification for the censorship of the local media, and criticisms voiced in that media had little impact anyway on decisions taken in London or by the Viceroy in New Delhi. Interestingly enough, the British Indian government was ultimately moved in mid-October (many months after the famine had started), only after Ian Stephens, the courageous editor of the British-owned Calcutta daily *The Statesman*, broke rank and published stinging attacks on governmental policy, which immediately led to questionings in Parliament in London (on this see Sen 1981).

[20] The economic problems involved in recreating the lost incomes of the potential famine victims is often exaggerated. A typical famine affects no more than, say, 10 per cent of the population (usually the famine victims constitute a much smaller fraction of the total population) and the share of the national income the famine victims would normally earn may be no more than 3 per cent or so (often much less). The total amount of resources needed for recreating their entire normal income would, therefore, be typically rather small (especially in comparison with the proportion of the national income that is devoted to military and war-related expenditures). The additional food needed to recreate their entire normal food consumption would also be a relatively small fraction of the total food consumption in the economy. On these issues, see Sen (1981), chapters 6–9, and Dreze and Sen (1989), chapter 8.

[21] This tends to deal effectively with the newly deprived in a situation of a potential famine, even though it does not cover adequately those who are prevented from working as a result of chronic disability, age or other handicaps. But they too can be covered through a public distribution system that takes note of these identifiable characteristics. On these issues and related matters, see Dreze and Sen (1989), chapters 7 and 8.

[22] On this see Sen (1983) and Dreze and Sen (1989).

[23] Three examples are the Soviet famines in the Ukraine in the early 1930s, the Chinese famine of 1958–61, and the Kampuchean famine of the late 1970s. The Chinese famine led to an extra death of between 23 and 30 million people (on this see Ashton et al., 1984 and Peng 1987) and is the most likely claimant to the distinction of being the largest famine of this century; on this see Sen (1983). See also Riskin (1987) and the paper by an anonymous Chinese scholar in Article 19 (1990).

[24] In the prevention of famines, an independent press has an adversarial role (in criticizing and pressuring) as well as a cooperative one (in providing early news of starvation and deprivation) vis-à-vis the government in power. On this see Sen (1983,1984), Reddy (1988), Dreze and Sen (1989), Article 19 (1990), and Ram (1990).

[25] It should, however, be added that adversarial politics and free newspapers provide less protection against endemic undernourishment and deprivation, which are less photogenic and harder to politicize, and the responsibility for which is more difficult to assign. These issues have been discussed in Sen (1983,1984), Dreze and Sen (1989), and Ram (1990).

[26] See Dreze and Sen (1989), and also the two papers by Jean Dreze on famine prevention, respectively, in India and in Africa, in Dreze and Sen (1990). I should explain, to prevent any possible misunderstanding, that it is not being claimed here that democracy is a *necessary* condition for such action, but only that there is considerable evidence in favour of its *sufficiency*.

[27] On this issue and related matters, see Sen (1983, 1984), Harrison and Palmer (1986), Kilongson (1986), Cohen (1987), de Waal (1989, 1990), Dreze and Sen (1989), Africa Watch (1990), Article 19 (1990), D'Souza (1990), among other writings.

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The Autonomous Military Power: An Economic View

John Kenneth Galbraith

I begin with some reflections on the state of economics in our time and the social purpose of a subject with which I have been associated for some sixty-five years. That it is, or should be, the purpose of economics to explore and illuminate the reality of economic life will surely be accepted.

There can, most will agree, be no other. Yet, as I will urge, economics fails sadly in pursuit of this purpose. A large and socially critical part of all economic production lies outside the range of economic concern. And so also does a very important part of present-day international trade. In respect of the latter, where a wise and intelligent use of resources is most urgent—where it is a matter of life or starvation and death—nearly all economic analysis evades the problem. That, of course, is the arms trade to the poor countries of the planet—a trade that denies people

The arms trade denies people the first essentials of survival and supports the most egregious of human slaughter.

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the first essentials of survival and supports the most egregious of human slaughter.

But economics also stands largely aside from the allocation of resources to military purposes in the affluent world and especially in the United States. To this I first turn. I deal here with matters on which I have elsewhere spoken, which I have previously urged. Plagiarism in scholarly discourse is rightly condemned. A certain tendency to restatement of personal beliefs must, however, be forgiven.

It is the essence of modern mainstream economics that the consumer is the ultimate arbiter of economic production. He or she makes purchases, distributes income. To this the producer responds. Intimately or ultimately, economic life is subject to the will of the sovereign consumer. I have argued in the past that this sovereignty is abridged in some slight measure by the advertising and the salesmanship of the producer—the supplying firm. This, if reluctantly, will be conceded. Nonetheless the consumer must still be persuaded to supply the demand on which production depends.

Along with this private need and response are the collective needs of the society—those needs that are supplied by the State. But here too there is the exercise of public choice. Perfect or imperfect, this is the democratic process. Ultimately again the people decide; the decisive control of income, of purchasing power, is theirs.

The notable feature of modern military production is that it stands outside the decisive control of modern economic activity.

The notable feature of modern military production is that it stands outside this system—outside these controlling forces. So standing, it is ignored by the established economic instruction and, with some specific exceptions, most econ-

omic research and formal discussion. A very large component of modern economic activity, important for its command of resources, urgent for its political and social implications, is effectively ignored by modern economics. It does not fit within the accepted economic models, therefore for scholarly purposes it does not exist. Let me be specific: I speak especially of the United States with which not only am I most familiar but which now, in the post-cold war world, is the dominant, even spectacular case.

The basic decision in economic life, as noted, is what is to be produced. In the case of military production, the effective decision lies *with* the military. It is there that the basic decisions as to force and weaponry are made. These are not matters on which civilians are presumed to have knowledge; they can comment and even criticize, but they cannot effectively intervene.

The military establishment reaches out to control or decisively to influence the political process by which the requisite purchasing power is provided.

The decision as to force levels and weapons having been made, there remains the matter of money for their purchase—the provision, in economic terms, of the effective demand. The military establishment reaches out to control or, in any case, decisively to influence the political process by which the requisite purchasing power is provided. It has a controlling role in the executive and budgeting process; it reaches out with no great effort to influence and control the legislative process by which the demand for its product and services is made effective. Congressmen and senators who vote the money for the military establishment are under the heavy threat of economic damage, even defeat, in their own constituencies if they do not conform.

For almost all of the half-century since World War II the military power was influenced by the presumed compulsions of the cold war. The arms race was thought controlling. Now, by common agreement, the cold war has come to an end. The effect on the military power and notably on the money it commands has been slight, almost invisible. The deeper truth as to its independent authority is now evident. All this is held to be under the saving grace of economic decision. Alas, it is not.

In the United States in the 1980s the military establishment commanded between 5.2 and 6.5 per cent of gross national product. Military expenditure in constant 1990 dollars increased from $206 billion to $314 billion. By common calculation weapons development absorbed around a third of our scientific and engineering manpower. To this a number of distinguished economists reacted, but in established instruction and formal analysis it had no role. One notes with dismay that economists in general have given this independent power of the military establishment and the resources it commands such slight formal attention.

I have been speaking of the emergence of an independent military power in the advanced capitalist countries and, as I have had reluctantly to stress, in the United States. But this has been a small thing in human terms as compared with the military power in the poorer countries of the planet, those graced by common reference as the third world. To this I now turn.

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political tragedy of our age. Some countries show the opportunity for political tranquillity and economic development that an escape from military bondage, not surprisingly, can give. Elsewhere in Asia, Africa and Latin America, however, the military power has a commanding influence in government, where it is not the government itself. This, in turn, allows it to lay claim on resources for military use and consumption which are greatly and grievously at cost to social needs and the resources for economic development.

Over the three decades beginning in 1960, for which calculations have been made, military expenditures in constant dollars in the developing countries have increased four to fivefold. Per capita gross national product has slightly more than doubled.[1] In many cases, it has declined. Military aid from developed countries has massively exceeded aid for civilian purposes.

Military spending in the world as a whole has substantially exceeded that for health care and education, and in the least fortunate of the poor countries it has done so by a wide margin.[2] The aggregate of the specific transactions is truly impressive. In the twelve years from 1983 to 1994, the less developed countries acquired from various sources surface-to-air missiles, 27,969 artillery pieces, 16,085 tanks, 3,595 supersonic planes and 997 warships and submarines at a total cost that approaches $1 trillion, if not more.[3]

Beyond this diversion of domestic resources and external assistance to military use are the further consequences. The rich countries of the world, as we have seen in the last half century, resort cautiously to military conflict. In the great confrontation of the cold war between capitalism and communism no one, as I have elsewhere observed, got killed, a few accidents, executions and interdictions of would-be defectors apart. In indirect confrontation and by proxy in Viet Nam and Afghanistan—both countries of basic impoverishment—tens of thousands were killed. And with weapons

from the affluent lands millions in the poor countries of Asia, Africa and Latin America were either forthrightly slaughtered or they died from the economic devastation that is the desperately painful counterpart of civil contention and conflict.

Again one comes to economics. In the commendable concern for the economics of development in the last half century, our discipline has rarely, in fact almost never, addressed itself to the military power, in the frequent case, this has been accepted as inevitable, a given factor. Yet even on the most casual examination, it is evident that nothing has been universally so damaging as the military power to a valid use of scarce resources and effective and compassionate government. Or to economic development itself.

It is evident that nothing has been universally so damaging as the military power to a valid use of scarce resources and effective and compassionate government or to economic development itself.

There have been other factors inhibiting basic well-being in the poor lands. Agricultural development has been subordinated by price restraints to short-run urban well-being at heavy cost to all. The vital role of education—human investment—has been insufficiently stressed. In the last century, and rightly, nothing was thought so important as universal free education. That has been partly forgotten, too many gleaming industrial plants have been sited amidst ignorant people. I stress a point I've made often before: in this world there are no literate peoples who are poor, no illiterate who are otherwise than poor.

Nonetheless, one returns to the basic fact: nothing so contributes to deprivation and hardship as the military power

and the associated internal and external conflict. The weapons of destruction flow visibly from the affluent countries to the poor. Yet this commerce, far from being central to economic thought, analysis and instruction, has been largely ignored. It does not figure in the formal discussion of international trade. For a decade we watched the unspeakable urban artillery fire in Beirut; there was little if any economic attention to the industry and commerce that supplied the weapons being used. Similarly in Ethiopia, Mozambique, Liberia, Somalia, the erstwhile Yugoslavia and other strife-torn lands.

Economics, obviously but unhappily, has an instinct for the benign. It studies and seeks to improve the microeconomic performance of national economies that are already replete with civilian goods and services. It is this civilian production and its employments that are of principal importance, and the macroeconomic performance and its improvement, similarly under circumstances of high well-being. The intrusion of the military power and its demands is ignored. Our discipline is little concerned with the way this military power both controls and devastates the poor countries of the planet or the grim commerce in the instruments of death that supports that devastation.

The ultimate justification for economics as a subject-matter and a science is that it adds to social understanding and that it thus serves human welfare. On its failures in this regard we must now reflect. It did not, much seemingly attentive study not withstanding, foresee the

Economics is little concerned with the way this military power both controls and devastates the poor countries of the planet or the grim commerce in the instruments of death that supports that devastation.

great economic developments in Central Europe and the Soviet Union in these last years and the accompanying demand for voice and participation. We cannot be happy as to the economic guidance and support we are giving to this change. A great opportunity is being missed. Democracy is being identified with economic hardship and penury. And economics has ignored the modern intrusion of the self-sustaining military power on economic life—its independent role in the rich countries, notably the United States, and its devastating political power, claims on grievously scarce resources and support of war and civil devastation in the third world.

As diligent scholars, we are rightly proud of our subject and our social contribution. Our pride would be greater, more deeply justified, were we now to embrace these large issues that press so urgently in the former communist world and that sustain the modern intrusion of the military power on economic life in the rich countries and so tragically on the lives of the poor.

Notes

1 Ruth Leger Sivard, *World Military and Social Expenditures*, 1993. Updated figures by the Editor.

2 Sivard, ibid.

3 These are figures updated by the Editor to April 1996. Sources: U.S. Arms Control and Disarmament Agency (1995), *World Military Expenditures and Arms Transfers*, 1995, Washington, D.C.: U.S. Government Printing Office.

The Pacifist Constitution in Post-War Japan— Economic Dividends or Political Burdens?

Koichi Hamada

Article 9 of the post-war Constitution of Japan enacted in 1951 declares:

> "1) Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling international disputes."
>
> "2) In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the State will not be recognized."

Japan emerged in the 1930s as a latecomer imperialist nation, following in the footsteps of the Western Powers. Aggressive invasions into various parts of Asia were countered by economic sanctions imposed by the United States and other nations. A diplomat from the United States was

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allegedly afraid that Japan, if cornered, might launch herself into a desperate, self-destructive act like "hara-kiri" (disembowelment). Indeed Japan started a reckless war against the United States by its sudden attack on Pearl Harbor, and engaged in aggressive military behaviour as well as committed human atrocities. The reaction of the United States to the frustrating military situation of the war and to Japan's obstinacy against surrendering was the atomic bomb. Hiroshima and Nagasaki became landmarks in human cruelty beyond which, we pray, history will never again trespass.

When the war ended in 1945, Japan was destroyed militarily and economically, but fortunately not divided by the ensuing occupation. Under the occupation of the Allied Forces and, in particular, under the political control of the Supreme Commander of the Allied Forces (SCAP) in the Pacific, Japan's policies were implemented by General Headquarters (GHQ). During that time, Japan was compelled to adopt a Constitution drafted by United States officials in English. The above cited article is the original rather than an English translation of the Japanese. In Japanese, the Constitution of Japan has an unnatural style typical of translated sentences. GHQs demanded a strict, word-for-word translation to avoid the subtle shift of nuances which could have resulted from idiomatic translation.

The spirit of the Constitution was inspired by the philosophy imbued in the United Nations Charter, which came into effect (October 1945) one year before its drafting. Its Preface proclaims:

> "We, the Japanese people, desire peace for all time and to preserve our security and existence, trusting in the justice and faith of the peace-loving peoples of the world.... We believe that no nation is responsible to itself alone, but that laws of political morality are universal; and that obedience to such laws is incumbent upon all nations who would sustain

their own sovereignty and justify their sovereign relationship with other nations."

These statements have much in common with the phrases of the Preamble to the Charter of the United Nations. The Constitution assumed the same world order envisioned by the founders of the United Nations, a world order still in the process of formation. A substantial number of Japanese would have liked, however, to amend the provision renouncing war, which they considered overly idealistic.

Under its pacifist Constitution, Japan has remained militarily passive for more than a half century. It adopted a policy of disarmament, or rather light armament, combined with a security alliance with the United States. While under the occupation of the Allied Powers, Japan did not need to worry about its defence. Or, more precisely, it could do no better if it did worry. After the occupation, however, Japan, without a defence mechanism, could have become a target of attack. Some form of military alliance was needed. The peace treaty was accompanied by the Mutual Security Act between Japan and the United States, which, *inter alia*, brought Japan under the nuclear umbrella of the United States. In return, Japan promised to provide sites for United States military bases and financial support. Japan thus could abide by her Constitution, and at the same time maintain her defence.

This policy of minimum military equipment and mutual alliance with the United States was crafted by Shigeru Yoshida,[1] who was prime minister from 1946 to 1948 and 1949 to 1954. "Japan is too poor to be militarized", was Yoshida's argument. While one faction in the United States, tried to push Japan into substantial rearmament as a forward guard against the Asian front of communist China—the Bamboo Curtain—and the USSR, another did not want Japan to become a military Power. They thought that such a direction would be dangerous to peace in Asia and the world. This

counterbalance of opinions resulted in Japan continuing its pacifist policy.

By contrast, defeated Germany was disarmed and, unfortunately in her case, divided. The Berlin Wall became the symbol of the cold war until 1989. Germany joined the North Atlantic Treaty Organization (NATO) quite early, in 1954 and never assumed a policy of complete disarmament. The renouncement of war by Japan was a unique case. Germany, for other reasons, kept a quiet posture on the world strategic scene.

After more than 50 years, both countries, Japan and Germany, can boast of their powerful economies. I suggest that these two economies, and particularly Japan's, are prosperous because they played the role of a "free-rider" in defence expenditures.

Constrained by its Constitution, the passive international attitude of Japan was irritating to much of the world during the Gulf War of 1993. Many nations resented that Japan would not shed the blood of her own people and only grudgingly pay its share of the War's expenses, in spite of the fact that Japan paid out $13 billion, about the equivalent of the total expenditure of the United States. The image of Japan as an irresponsible ally remained.

The end of the cold war brought about substantial structural changes in the benefits and costs of armament and disarmament. Another major question has emerged: Can the alliance between Japan and the United States be sustained in the same way as before?

Historical development

The post-war Constitution of Japan was for all practical purposes imposed by the occupation, or the SCAP. Prince Fumimaro Konoye, an enlightened politician who was also engaged in wartime activities, had been asked, or at least

was thought to have been asked, to revise the Constitution. GHQs also ordered the cabinet, headed by Baron Kijuro Shidehara, to draft a revision. However, both efforts proceeded slowly. Konoye committed suicide after being investigated for his past actions. The draft by the Government was rejected in February 1946 by GHQs, which then presented its own draft in English.

Shigeru Yoshida, the foreign minister at the time, was reported to be opposed to the draft because of the renunciation of war in the Constitution. (Ironically, Yoshida later became the most ardent advocate of the renunciation of the war clause and the skillful craftsman of the diplomacy that took full advantage of the pacifist article.)

In any case, at that moment SCAP dominated political power and the Japanese had to accept the Constitution essentially as it was imposed. The new Constitution was enacted following the formal amendment procedure of the old Meiji Constitution. Formal continuity and legitimacy were thus guaranteed, but the distance in substance between those two Constitutions was great.

The still highly controversial phrase in Article 9 of the new Constitution is: "in order to accomplish the aim of the preceding paragraph". It was introduced into the Constitution as a revision of the draft of GHQs by Hitoshi Ashida, who later became prime minister. He thought that this phrase would allow the nation to hold military forces for self-defence. Yoshida adhered, however, to the interpretation that Japan could not possess armed forces at all.

In later years, opposition parties, such as the socialists and communists, criticized the Yoshida cabinet for the build-up of Japan's self-defence force, quoting his own words during the occupation. He was questioned as to whether it was consistent with the Constitution to allow the growth of the self-defence force. Yoshida insisted that no serious contradic-

tion existed as the self-defence force was not an army or military force, but rather a type of internal police force.

During the cold war, and especially at the time of the Korean War, Japan was expected, while still recovering from the destruction of World War II, to become a supply base for the United States military force. Some politicians in the United States began to call for the rearmament of Japan.

Yoshida's instinct was that Japan could not start rearmament because she was still too poor. (This kind of counter-argument on the ground of practical feasibility was the one Yoshida often used to resist the command by GHQs). Instead, Japan could remain politically dependent on the United States. This became known as the philosophy of "merchant nation". Yoshida wanted to give Japan dignity in defeat. That dignity would be achieved, from his standpoint, through economic development. The pursuit of the "merchant nation" role has strongly influenced the course of Japan's economic development and strategic policies since the close of World War II. Yoshida expressed his philosophy by remarking to an influential doctor that "frequently countries which had lost a war had in the end won it by diplomacy".

When the end of occupation approached, there was a controversy whether Japan should seek a peace treaty with most of the nations of the world, that is, "overall peace", or a peace treaty with non-communist countries, "many-sided peace". In the sharply divided cold-war world,

Few doubt that Japan's "merchant" policy yielded an enormous dividend in the form of an amazing economic recovery from the war and the succeeding miraculous growth of Japan.

the first way would be difficult in practice. Yoshida chose the second way.

The peace treaty with non-communist nations was signed in the San Francisco Opera House on 8 September 1951. Yoshida, alone on the Japanese side, signed the Japan–United States Mutual Security Act, which incorporated Yoshida's basic idea of security for Japan. The Japanese and the American governments agreed to become strong allies. Japan would not possess substantial military power, but would instead share the burden of the costs for mutual security.

This laid the foundation for Japan's entire post-war defence policy. This "merchant" policy brought economic development at the cost of political independence. Few doubt that this policy yielded an enormous dividend in the form of an amazing economic recovery from the war and the succeeding miraculous growth of Japan.

In spite of the fact that they were essentially pro-American, there were politicians who preferred political independence to economic gains. Prime Minister Ichiro Hatoyama, who succeeded Yoshida, tried a more independent direction than his predecessor. He restored diplomatic relations with the former Soviet Union, and almost succeeded in negotiating a peace treaty with it.[2]

Prime Minister Nobusuke Kishi was eager for self-defence and political independence.[3] Kishi wanted not only the extension of the Japan–United States Mutual Security Act and its revision to put the two countries on a more equal footing, but hoped for the amendment of the Constitution that would allow Japan to rearm herself. This hard line triggered vehement unrest among students and workers. Kishi attempted to plan the first visit of an American president—President Eisenhower—to Japan to celebrate the extension of the Mutual Security Act. More than 200,000 marched in Tokyo. A female student at the University of Tokyo was killed

during a clash between students and police force. Crowds surrounded the President's Press Secretary, forcing him to escape by government helicopter.

In the end, President Eisenhower's visit to Japan was canceled, and Kishi resigned. That moment came to be considered a watershed in post-war history between the movement for rearmament and the "free-riding" policy. The people's resistance forced the government to rescind any move to alter established policy.

Hayato Ikeda, one of Yoshida's protégés, succeeded Kishi as prime minister (1960–1965). He directed the attention of the public from politics to economics, and steered the income-doubling plan with success. Old ideas for rearmament were forgotten. Eisaku Sato, the only Nobel Peace Prize laureate from Japan, succeeded Ikeda as prime minister (1965–1972). However, in spite of the fact that Sato was the brother of Kishi,[4] Sato was also Yoshida's disciple and followed Ikeda's policy, emphasizing economic development.[5] It was in this era of high growth that Yoshida's diplomacy of relying on the United States for defence at minimum expense yielded fruit.

Many prime ministers followed the policy of "merchant nation" conceived by Yoshida. A notable exception was Prime Minister Yasuhiro Nakasone (1982–1987), who spoke to President Reagan[6] about the necessity of defending the sea lanes around the Japanese archipelago. "Japan will be an unsinkable battle ship".[7] In retrospect, the end of the cold war proved his concern unfounded.

During the cold war, Americans were fond of complaining about Japan's "free-ride", which allowed it to build up economic growth. At the same time, it was obvious that the United States and Japan had many common interests to defend. Defending the free world was a public good they shared.

The end of the cold war brought with it a profound change in the strategic structure around Japan. Now, if Japan were threatened by its neighbours, Americans might find less need to defend Japan than before. From the perspective of the United States, Japan should bear a larger proportion of defence expenditure in respect to the Mutual Security Act. For its part, Japan is finding it more and more expensive to maintain United States bases. There are those who have begun to question seriously the need for the bases and for the mutual security arrangement.

On both sides, the Mutual Security Act has now become more vulnerable. As a threat strategy to keep the other side from breaking out of the agreement, Japan might suggest that, without the Mutual Security Act, she could be an independent military Power. The United States, in turn, might ask if Japan could survive in a nuclear world without the pact. Japan might respond that, without her Constitution, she could go nuclear.

Defence expenditure in a nuclear world and economic growth

Japan's Constitution has worked to limit her defence expenditure.

The pacifist Constitution imposed limits on defence spending. In 1952, the ratio of defence expenditure to GNP was 2.78 per cent, but came down to one per cent in 1967 because of the high growth rate of GNP. The Miki cabinet declared in 1976 that defence expenditure should be below one per cent of GNP. In fact this promise has been more or less kept. It should also be noted that Japan's defence expenditure in absolute terms is relatively large compared with that of other countries because Japan's GNP is outstandingly high. In 1994, Japan's defence expenditure was the fourth among the non-CIS countries

following the United States, Germany and France. If we count Russia, Japan is probably the fifth, or even the fourth, largest military spender in the world.

In any case, Japan's Constitution has worked to limit her defence expenditure. It gave ammunition to those who argued for a lower defence budget against those who preferred building up the armed forces. It gave an excuse for the government to resist the demand of foreign countries to increase Japan's burden.

The relationship between defence expenditure and economic development is a question that has been discussed for a long time without yet reaching an unequivocal answer. In fact, causation may not come from a single direction. On the one hand, military expenditure may promote or deter economic growth and development. On the other hand, economic growth may make a country capable of attaining a high level of military expenditure. I will limit the discussion to the first causal linkage and assess the effect of the low level of Japan's defence expenditure relative to GNP on her economic growth.

Theoretically, if a national economy is in recession with unemployment and idle capacity, military expenditure may recover the economy in the short run by mobilizing unused resources. Except for the present decade, the Japanese economy operated near full employment most of the time. Therefore, the lack of effective demand due to the small size of the military expenditure is hardly anything Japan should worry about.

Given a certain technological level, defence expenditure is usually unproductive. It destroys productive facilities if used in times of war and leaves hardly any productive resources for the future if arms are unused. Moreover, the current account of the balance of payments of a nation will deteriorate if military expenditure increases, unless national savings increase to offset the military spending. The current

account equals the savings-investment balance and accordingly equals what a nation produces minus what it spends. The low military expenditure relative to GNP in Japan (and perhaps in Germany) can be considered one of the reasons that it has accumulated a large balance of payments current account surplus.

In the long run, and, under full employment, military expenditure will also use up resources that can be used for productive investment that promotes economic growth for the future. There can also be a positive side, however, to larger military expenditure. The military usually uses advanced technologies so that expenditures may encourage research and development in high-tech industries and accordingly enhance technological innovation. Therefore, conflicting forces are at work.

Empirical findings on the relationship between military expenditure and growth are by no means clear-cut, but they seem to conform roughly to the above theoretical predictions. I do not have space to summarize various articles (e.g., Arora and Bayoumi, 1994; Knight, Loayza and Villanueva, 1996; Ward, 1995) here. A simulation by Arora and Bayoumi, for example, indicates that arms reduction may reduce the rate of economic growth and national consumption moderately in the short run because of the reduction of effective demand and resulting slow consumption recovery. However, this yields a large dividend in the long run. In the case of Japan, even a short run effect is positive.

Suppose we are allowed to assume linearity and reversibility in their results, and allowed to ask the question: What would happen if Japan's military expenditure increased from *one* per cent of GNP to *two* per cent of GNP in the future? Japan could incur the short-term loss of $6 billion (1992 dollars) in the first year, the long-term loss of $68 billion five years later, and the long-term loss of $91 billion 11 years later. This is a significant proportion of Japan's GNP, which was

$4.59 trillion in 1994. These figures may be somewhat exaggerated, but they indicate the magnitude of the economic effect of the pacifist policy.

Moreover, these figures do not consider the strategic interactions of arms races with neighbouring countries. As will be discussed shortly, the game of armament has the structure of arms competition for keeping up with the Joneses. If Japan rearms robustly, then its Asian neighbours will be alerted and a chain reaction started. Thus, the system of combining minimal armament with mutual security with the United States could continue to hold enormous benefit to the world as well as to Japan, if the system can be sustained by incentives for both countries. The sustainability or incentive compatibility of the system is the question I will deal with below.

The change in the international strategic structure after the cold war

During the cold war era, the structure of military interdependence was easier to analyse; it was relatively obvious who was a nation's enemy or enemies. The theory of alliance explains well the structure of this kind of situation where the enemy is already present, as was the case with the communist bloc and the Western allies. By organizing through alliances, military resources can be pooled and preparation for an attack can be made. According to the analysis by Olson (1965), and to an empirical study by Olson and Zeckhauser (1966), a large country takes the threat of the enemy more seriously and is prepared to spend more on military expenditures, or to assume a larger military burden than is proportionate to its size or income. If you apply this theory to our scenario, Japan as a small country relative to the United States could afford to "free-ride" on an American defence policy because the United States incentive to defend the free world was strong. The mutual security system was in a sense

"incentive compatible". Japan had incentives to rely on the United States as much as possible, and the United States had incentives to request Japan's contribution in terms of financing. Countries in a military alliance were motivated to free-ride on other countries; one country's military expansion invites the military reduction of other countries—a situation game theorists call "strategic substitutes".

Now that the cold war is over, there is no common enemy. Defence ceases to be a public good common to participants in an alliance. A large country has little incentive to defend a small one because no common security is threatened.

This kind of situation could compel Japan to spend a larger percentage of her wealth on the formation of a mutual alliance (Hamada, 1995). On the other hand, the United States may not have a strong incentive to be in an alliance with Japan. In fact, the structure of the game in this case takes on the nature of "strategic substitute" in which one country's military expansion motivates another's. In this case, a small country tends to spend proportionately more for military resources.

In the light of the military expansion in Asia, this pessimistic picture looks unfortunately realistic. There are factors, however, that might mitigate the progress of the scenario just described.

Most important, the United States may not want to give up totally the alliance with Japan. Even with her small territory, because of her large economic scale, Japan could potentially turn out to be a serious adversary. With a potential for nuclear armament, the threat a completely independent Japan poses to the United States is not negligible. In fact, this logic was often used by Japanese politicians including Yoshida. The threat was made to rearm Japan unless the United States would help Japan substantially.[8]

Conclusion: a "merchant nation" or "full international citizenship"?

Consider the future. After the nuclear threat recedes, the United States might be less interested in defending Japan, because the degree of public good of the alliance would obviously decline.

The United States may wish to demand a higher price for its future defence activities. In an economic sense, the public good of defence is reduced. Thus, Japan would have to make the choice: to pay more for the mutual treaty or try to defend itself independently.[9] For the United States, the pressure for an alliance would remain as long as the Japanese threaten to build up their own independent defence. This has typically been the threat since Yoshida's time. Still others might wish Japan to develop forces for United Nation actions, thereby reducing the United States share of the expenses. Even others might wish to keep the Japanese military force within the limited range compatible with the Constitution, and Japan engaged in other types of diplomatic, economic and social efforts for peace.

Within the post–cold war strategic structure, it is difficult for the Japanese to accuse the United States of free-riding since it provides free military bases and generous procurement. On the contrary, the United States could claim that Japan is still free-riding. The United States incentive for alliance with Japan would depend on what degree it still considers the defence of Asia to be in its own interests.

What should Japan do right now? Should Japan be armed in order to be more active in the way Kishi and Nakasone attempted to steer Japan? Or should Japan keep a minimum defence force and stick to the "merchant nation" principle that Yoshida managed to implement.

Those who advocate the former point out the negative aspect of the pacifist Constitution. Kosaka (1972) argued that keeping Article 9 untouched and calling the defence force a

"non-army" was hypocritical. In addition, Japan has still not found an articulate voice in the world despite its economic scale. That is probably due to the lack of military power.[10]

The second line of thought argues that Japan should maintain a kind of low pressure point in the Asian region. This low profile is not so low in absolute value, as Japan's GNP is so large that its relative low level, that is, within one per cent of GNP, could mean a large defence force in absolute terms. Military pressure around Japan, nevertheless, is relatively low. As long as Japan is being defended by the United States, pacifist Japan will create a beneficial external effect in the world economy. The Constitutional and budgetary limitation of Japanese military forces has helped to a considerable degree to reduce the military pressure on countries around Japan.

The lack of military expenditure, of course, is compensated by the substantial role Japan plays in other international activities in favour of the public good, such as foreign aid and economic assistance. Japanese diplomats should learn how to take the initiative in world politics. Yoshida assumed leadership in negotiations even when Japan was under occupation.

Thus, there are two basic choices facing Japan: to rearm independently or to continue the present path. Japan is now taking more or less the second, which may become hard to sustain because of changes in incentive structures in the world. The first direction involves amending the Constitution, building up armed forces and acting independently on the international scene. This choice would make Japan a more "normal" international actor. Would it require Japan to arm itself with nuclear weapons? This would certainly escalate competition among neighbouring countries for arms expansion. Asia around Japan would be trapped in a dilemma of competitive arms building.

The second direction is to continue the path of limited armament and mutual security with the United States. Under

the new strategic structure after the cold war, as the trend towards peace in Asia becomes more apparent, the United States will be less eager to bear the burden of defence in the Far East. Japan will be asked to bear a larger burden of mutual defence. Uncertainty about which nations will be involved in war may increase with this system as well. In order for the "merchant nation" crafted by Yoshida to continue, Japan will need a politician like him—articulate, shrewd and complex.

Notes

1 Shigeru Yoshida was born in 1878 in Tokyo. He was adopted into the Yoshida family. (In this period, adoption was to give talented boys more opportunities.) After graduating from the Law Department of the University of Tokyo, he had a successful career as a diplomat stationed in China, Manchuria and Europe. He was married to a daughter of Count Makino, one of the Emperor's closest advisors, which gave him access to the highest policy circles in Japan.

Yoshida first became foreign minister of the Shidehara government 1945. He was hailed by the foreign press for having continued opposition to militarism and to Japan's aggression into Asia. Because of the purge—expulsion from government positions—of Ichiro Hatoyama, who, as an education minister, had once suppressed freedom of academia before the war, Yoshida succeeded Shidehara as prime minister. Yoshida held the post of prime minister four times, with one interruption, from 1946 to 1954. Yoshida was known for his dictatorial attitude and for his tendency to listen only to a few close aides. This earned him the nickname "One Man".

2 The United States allegedly prevented Japan's signing of a peace treaty with the USSR by making Japan demand the return of four islands rather than two islands in the northern disputed area in Japan.

3 He was once a war criminal of the Tokyo international court because of his role in the Tojo cabinet that started the war.

4 Kishi was adopted from the Sato family to the Kishi—another example of adoption.

5 Japanese politicians advocated "three principles" during these years. The Three Non-Nuclearization Principles (originating in 1967) are: not to possess, not to produce, not to import nuclear arms. The Three Principles of Arms Exports (originating in 1976) are: not to export arms to countries in the communist bloc, nor to countries under United Nations sanctions, nor to countries engaging in or preparing to engage in international conflicts.

6 Nakasone was proud of being on good personal terms with President Reagan, addressing him as "Ron-Yasu".

7 This was strongly criticized in Japan. The next prime minister, Zenko Suzuki, paraphrased it thus: "Japan will be a defensive porcupine".

8 From the two-level game perspective, namely, analysis of the layers of domestic and international conflicts, the situation is analysed as follows. Because of its pacifist Constitution, Japan can maintain that she is unable, politically as well as constitutionally, to spend more on rearming herself, or send the armed forces abroad, or help others in disputes like the Gulf War and the fight in Bosnia. This restricts, in the short run, Japan's "win set", and gives her an advantage to justify domestic constraints and possibly neglect obligations to the world.

9 Actually, Japan's public feels that she does not need the United States to defend her. Japan does not need to pay so much for the procurement of the United States force in Okinawa and other bases. Nor may Japan need so much involvement.

10 During the occupation, however, Yoshida managed Japan's position quite well without independent political power, let alone military power. Moreover, Japan's lack of articulation lies partly in its culture of not speaking plainly. Thus, the question whether or not the timid diplomatic attitude of Japan is due to the Constitution needs to be examined.

Some Recent Developments in Global Military Spending

Lawrence R. Klein

Time series or trends

For the last ten years or more, world military spending, not world military activity, has been declining. This is mainly associated with the end of the cold war, and also with the breakdown of the Soviet Union, apart from the role of the cold war in this breakdown.

Military spending is a concept and quantitative magnitude that is extremely elusive. Nations try to hide or disguise military expenditure. There are many kinds of budget classifications for expenditures, appropriations and authorizations. For instance, exploratory activities in space are part of the military sector, as are other scientific investigations. Though they represent tiny amounts, I know personally about socio-economic studies being undertaken at a major weapons laboratory. There are differing figures (for the same time period and same concept) issued among research organizations such as the Stockholm International Peace Research Institute (SIPRI), the Arms Control and Disarmament Agency (ACDA) of the United States, various United Nations agencies, and individual government agencies.

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There is little doubt that real military expenditures, i.e., outlays adjusted for inflation, reached a peak in the latter part of the 1980s, and then declined.

At the global level, the quantitative estimates differ, but their fundamental time and area distributional features more or less reinforce one another. There is little doubt that real expenditures, i.e., outlays adjusted for inflation, reached a peak in the latter part of the 1980s, and then declined. That decline was dominated by the two superpowers, the United States and the former USSR, which were roughly of the same order of magnitude, representing the stand-off at the level of a world conflict of disastrous proportions.

The declines in the United States occurred after it became clear that the Soviet Union could no longer "afford" the cold war and United States reductions continued at a significant downward pace after the Gulf War, in order that some relief could be given to the federal budget deficit. The fact that military "downsizing" came about in such large magnitudes and so quickly indicates that it was encroaching on the civilian sector of the economy, in a classic "guns vs. butter" trade-off. The mild inflationary pressures of the past few years were probably helped by the defence cutbacks. Political and security thinking has, however, changed in the last two or three years, and military downsizing has abruptly halted in the United States. It is not likely to continue to be a major factor in reducing the federal budget deficit. Social spending will probably replace military downsizing as a major source of future deficit reduction.

In the case of the former Soviet Union, the civilian economy became so unstable and so poor that the country (Russia) could no longer afford such a formidable military establishment. This is another "guns vs. butter" trade-off. The

figures for Russia are extremely shaky now. SIPRI researchers simply assume that the military share of gross domestic product (GDP) has remained steady since 1991. If GDP has fallen, according to their estimate, by 39 per cent (1992–1994), then it is surmised that military spending has also fallen by a similar percentage.

In a qualitative sense, Russian leaders, Russian military officers (high level), and the Russian public at large look nostalgically back at the days of Russian power and influence in world affairs, backed up by a fearsome military establishment. In order to regain some degree of world influence, it is unlikely that the military sector will be allowed to deteriorate further. In fact, Russian politics will likely be dominated even more by the military sector, and there could be a revival of strength. The inconclusive force of Russian military operations in Chechnya has probably contributed to attitudes favouring the strengthening of military forces among some leadership groups in Russia.

Some selected statistics from SIPRI (1995 edition) show constant US dollar valuations of military expenditures, 1985-1994, for leading Asia-Pacific countries and North Atlantic Treaty Organization (NATO) countries (Table 1). The estimates by SIPRI for the United States defence establishment show fairly persistent real reductions after 1986, but with some hesitation or increase right after the Gulf War, and the implementation of sizable reductions in 1993 and 1994. NATO Europe also shows declines, but by much smaller absolute changes, year to year, than for the United States.

In Asia, the trend is mostly towards increased spending levels. Indonesia shows a decline followed by revival of expansion in defence, as does China, which fields the world's largest armed forces. The Australian figures (Pacific, not Asia) are fairly steady over the whole decade. India, Pakistan, the Republic of Korea, and Thailand are all areas that tend towards increasing sizes of the military

Table 1

Military Expenditures
(billions US dollars, 1990 prices)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
India	6.5	7.7	8.3	8.5	8.7	8.6	8.0	7.7	8.7	8.7
Pakistan	2.2	2.4	2.6	2.5	2.5	2.7	2.8	2.9	3.3	3.4
China	6.6	6.5	6.2	5.4	5.3	6.1	6.6	6.9	6.7	6.6
Japan	22.8	24.2	25.5	26.6	27.5	28.3	28.9	29.7	29.5	29.9
ROK	7.3	7.8	8.0	8.5	9.1	9.4	10.2	10.6	10.5	11.3
Thailand	2.0	2.0	1.9	2.0	2.0	2.2	2.4	2.6	2.8	2.9
Indonesia	1.8	1.5	1.3	1.2	1.3	1.4	1.4	1.6	1.7	1.8
Australia	6.6	6.6	6.4	6.0	5.8	5.9	6.0	6.1	6.1	6.2
US	313.3	335.0	331.2	323.9	320.4	306.2	269.0	284.1	269.1	252.4
France	39.9	41.1	42.3	42.2	42.8	42.6	42.9	41.5	41.1	41.2

Germany*	38.8	39.9	40.6	40.2	40.1	42.3	39.2	37.7	33.5	31.3
UK	43.5	42.9	42.6	40.6	40.8	39.8	41.1	37.1	36.3	35.1
NATO Europe	178.9	181.0	186.7	184.7	186.2	186.4	184.5	176.2	171.1	167.1
NATO Total	503.2	527.3	529.4	520.2	518.2	504.1	464.0	470.8	450.6	429.6

Source: SIPRI (1995 edition)

*Unified figures for Germany appear from 1991 onwards. Figures up to and including 1990 are for West Germany.

establisment. This is an issue of concern. Japan, too, where the size of defence spending in relation to GDP has remained quite low, shows fairly steady expansion in military spending.

If we look at United States data, as published in the National Income and Product Accounts (NIPA), we get a somewhat different picture. The NIPA have been revised for inflation adjustment, also for separation into structures and equipment.

The data in Table 2 show a different pattern from that given in the SIPRI tabulations. For example, the SIPRI figure for 1994 is $252.4 billion, while the corresponding number in Table 2 is $336.9, higher than the SIPRI estimate by 33.5 per cent. The SIPRI number is in prices of 1990 while the figures in Table 2 are in prices of 1992. Between 1990 and 1992, the national defence price index went up from 92.9 to 100.0, about 7.6 per cent. The SIPRI estimate is definitely lower.

The peace dividend

If we accept the above figures as roughly correct, there is no escaping the fact that military expenditures have been reduced and may continue to undergo cutbacks. If the funds saved from expenditure cuts had been channelled into specific types of social spending at the civilian level, we would be able to see, clearly, how the peace dividend is being used, and where it came from, leading to research on where it went. This is what many interested groups would like to see, but this is not how a peace dividend was distributed, nor how it was subsequently used.

It is not that the peace dividend did not occur; it is simply from the viewpoint of priorities that one might challenge the way it was used.

Table 2

US National Defence Expenditures
(billions (1992) dollars, chain weights)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Consumption	318.2	331.1	341.1	345.3	340.9	338.9	338.7	319.7	306.9	293.5
Structures	7.9	8.6	9.2	8.5	6.9	6.4	4.7	5.2	4.4	4.3
Equipment	48.6	53.7	58.4	51.9	53.8	56.1	54.1	50.9	43.6	39.1
Total	374.1	393.4	409.2	405.5	401.9	401.5	397.5	375.8	354.9	336.9
Price index	83.5	84.5	85.6	87.3	89.8	92.9	96.5	100.0	102.1	104.5

Source: Annual Report of the Council of Economic Advisers, February 1996, Washington 1996

The reduction in military spending that occurred in the United States, and shown in Table 1 or Table 2, was used, in part, to reduce the federal deficit (Table 3). It is not that the peace dividend did not occur; it is simply from the viewpoint of priorities that one might challenge the way it was used. But reduction of the deficit has been important. In the first place, the determination to reduce the deficit from the very beginning of the *election* of the new Administration in autumn 1992 helped the long-term interest rate to fall in the United States. This long-awaited decline contributed to an expansion of capital formation and recovery from the recession. The recession is deemed to have ended in April 1991, but the recovery was hardly noticeable—until the peace dividend was used for deficit reduction.

In the second place, if we had not realized as much deficit reduction as actually occurred, we would have experienced a much more severe attack on social programmes than we have seen by the party in opposition and the party presently in control of the United States Congress.

It can be seen that previous attempts in the last decade to bring down the deficit never succeeded for a run of years, and deficits increased greatly in the Gulf War period. Once the peace dividend was used, together with other programmes to bring down the deficit, the results were spread over a number of years, including the extrapolation of a fourth annual reduction in 1996.

But, unfortunately, the tendency towards reductions of military spending may have run its course. The government's opposition does not approve, at all, the use of the peace dividend for deficit reduction; in *political* maneuvering they are pushing the United States Administration to strengthen the military establishment once again. The Administration appears to have accepted the views of the opposition in this respect. The President has asked for more military spending—over and above the increases that were proposed by the Congress.

Table 3

United States Federal Budget Deficit, 1985-1995
(billions, $ fiscal years)

1985	-212.3
1986	-221.2
1987	-149.8
1988	-155.2
1989	-152.5
1990	-221.4
1991	-268.2
1992	-290.4
1993	-255.1
1994	-203.2
1995	-163.8

Source: Annual Report of the Council of Economic Advisers, 1996

The peace dividend in Europe does not seem to have materialized in large amount. For all the complaint about the size of the United States deficit, there is a sense in which European deficits are more serious. According to the Maastricht target requirements for a common central bank and currency for Western Europe, the United States could qualify (even though it is not participating), but few European countries aside from Denmark, Luxembourg and Ireland, are yet ready. They are bent on deficit reduction now, but have not tried hard via the route of reductions in military spending, as in the United States.

There is, however, a potential breakthrough. France is contemplating reductions in the expansion of armed forces as

a means for meeting the Maastricht criteria. This could be a first for Europe in this respect.

France has proud military traditions and often goes its own way with respect to national security matters. It is clear in Table 1 that France's time pattern of military expenditure is quite different from those of the United States, the United Kingdom, and Germany: all major partners in the world economy and in NATO—to the extent that France agrees to participate in multinational military organizations. As compared with 1985, there is hardly any change in French outlays, adjusted for inflation, and there is little more decline from a peak level in 1991.

World arms exports have declined steadily from a peak point in 1987.

France is an important military power in the sense that it has full nuclear capability, is a major arms trader, and is a major producer of sophisticated weaponry, with very advanced aircraft. Not only did France announce in 14 May 1996 that the Cabinet had approved significant, defence reductions, but it also indicated that there would be a shift from heavy reliance on conscription towards professional armed services. This latter point is important not only for matters of national pride, but also because it could lead to a more efficient military organization, releasing people and funds to the civilian economy. The United States has shifted to a professional army, and in spite of some misgivings by senior military authorities, among others, has found that it is, indeed, a way to economize. That should be a primary characteristic of arms reduction.

The French plan for a smaller military establishment calls for a personnel reduction of 36 per cent in the army, 24 per cent in the air force, and 19 per cent in the navy, assuming parliamentary approval of the smaller professional military establishment. In current prices, spending could fall to $36

billion by 2002. In the total package, there are corresponding equipment reductions. Cutbacks are contemplated for tanks, helicopters, submarines, carriers, frigates, and combat aircraft.

The arms trade

World arms exports have declined quite steadily from a peak point in 1987. From 1985 to 1990, there was nearly a $10 billion reduction, followed by a like reduction in the next 5 years.

Table 4

World Exports of Conventional Weapons (billions 1990 dollars)

1985	39.7
1986	44.1
1987	46.4
1988	38.6
1989	37.8
1990	30.9
1991	25.5
1992	24.8
1993	24.5
1994	21.7

Source: SIPRI (1995 edition)

While the figures in Table 4 show a fairly steady reduction of large magnitude, there are reasons to be disturbed by present tendencies in arms trafficking. In the first place, the numbers are large enough to equip combatants in localized, but very deadly, conflicts. Much damage is done on the basis

of these relatively small and declining numbers. SIPRI, however, the source agency for these data, does not count as arms trade, shipments that are arms *grants* (gifts) by major powers to smaller friendly powers. Annual United States military aid to Israel (large and sophisticated) is not treated as an export. It is a government-to-government transfer—of very costly equipment, among other things.

In addition, conventional arms that are now traded on a very large scale consist of small weapons. They can be lethal, but their cost per unit does not match that of much more advanced weapons. In the category of small arms, we find land-mines. These are meant only to injure or kill. They have, in many cases, been recklessly laid, without mapping instructions. Also, they are very inexpensive. It is to the United States credit that it has sought official declarations of illegality in the placement of land-mines, but it has done too little in ridding the world of these horrible instruments.

A sad feature of the arms trade is the identification of major participants. August members of the United Nations Security Council are prominent suppliers. On the recipient side are many developing countries that would be well advised to concentrate on delivering a better life to their civilian populations.

Much of the arms trade, after the end of the cold war, has been from stockpile disposal.

With Russia out of the main activity of trade in arms, leadership has gone to the United States. Ten years ago Russia supplied just under 45 per cent of all weapons to developing countries, while the United States supplied only about 16 per cent. Now the roles are reversed with the United States responsible for almost one-half of the total bound for developing countries and Russia supplying less than 10 per cent of such shipments.

Much of the arms trade, after the end of the cold war, has been from stockpile disposal. There was early resolve to destroy existing stock-piles of conventional weapons, especially as troops withdrew to the East, but the lure of easy money through selling existing stocks was too appealing and potential combatants became confident that they could find as much weaponry as they needed at reasonable prices.

Arms production

Another facet of military activity since the end of the cold war is the cutback in arms *production* to match the reductions in military personnel and the reductions in total spending. These cutbacks were obviously felt by arms producers but the major companies have taken business steps to address the situation. There has been consolidation within the private sector where arms are produced. There is no doubt that sales have decreased, but not necessarily profitability. Through mergers and acquisitions new corporate entities are being formed. There probably was a significant degree of inefficiency in the industry, resulting in well-known cost over-runs and in overly close working relationships between private producers and military officials.

A number of merged, but large firms have now established themselves as the leading producers.

A number of merged, but large firms have now established themselves as the leading producers. Some firms, especially in aircraft, have dual activities—for civilian and military aircraft—and in some cases, the civilian activities have become more visible. The profitability, however, still resides in military production. The United States remains as a large-scale military power, even though its military establishment is smaller; so a significant arms production sector remains.

In Europe, mergers have been announced in connection with privatization moves, and others are being planned.

The upshot will be a leaner, more efficient private defence sector in several countries. Although they may face smaller defence markets now, they will be as eager as ever to supply output for the arms trade.

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BOOKS RECEIVED

The following is a list of books maintained in a permanent collection at the Centre for Disarmament's Reference Library for the use of diplomats, United Nations staff members, Disarmament Fellows, students, researchers and representatives of non-governmental organizations working in the field of arms limitation and disarmament.

The Centre wishes to thank the publishers, institutions and organizations which sent the books for their continued collaboration with its Library.

Between Development and Destruction: An Enquiry into the Causes of Conflict in Post-Colonial States. Luc Van de Goor, Kumar Rupesinghe and Paul Sciarone, eds. New York, St.Martin's Press, 1996. 376 p.

Beyond Praetorianism: The Latin American Military in Transition. Richard L. Millett and Michael Gold–Biss, eds. Boulder, Colorado, Lynne Rienner Publishers, in association with North-South Center Press, University of Miami, 1996. 317 p.

Biological Weapons Arms Control. Milton Leitenberg. College Park, Maryland, Center for International and Security Studies at Maryland (CISSM), 1996. 87 p.

The Case Against the Bomb: Marshall Islands, Samoa, and Solomon Islands before the International Court of Justice in Advisory Proceedings on the Legality of the Threat or Use of Nuclear Weapons. Roger S. Clark and Madeleine Sann, eds. Camden, New Jersey, Rutgers University School of Law, in association with United Nations Missions of Marshall Islands, Samoa, and Solomon Islands, and Foundation for International Environmental Law and Development, 1996. 354 p.

Compliance Quantified: An introduction to data verification. Rudolf Avenhaus and Morton John Canty. New York, Cambridge University Press, 1996. 256 p.

Disarming Diplomat: The Memoirs of Ambassador Gerard C. Smith, Arms Control Negotiator Gerard C. Smith. Lanham, Maryland, Madison Books, 1996. 257 p.

Evolving Trends in the Dual Use of Satellites. Péricles Gasparini Alves, ed. Geneva, Switzerland, United Nations Institute for Disarmament Research (UNIDIR), 1996. 180 p.

Foregone Conclusions: U.S. Weapons Acquisition in the Post-Cold War Transition. James H. Lebovic. Boulder, Colorado, Westview Press, 1996 197 p.

Future Legal Restraints on Arms Proliferation: Volume III: Arms Control and Disarmament Law. Julie Dahlitz, ed. New York and Geneva, United Nations, 1996. 328 p.

The International Dimensions of Internal Conflict. Michael E. Brown, ed. Cambridge, Massachusetts, Center for Science and International Affairs (CSIA), 1996. 653 p.

Japan's Nuclear Future: The Plutonium Debate and East Asian Security Selig S. Harrison, ed. Washington, D.C., Carnegie Endowment for International Peace, 1996. 120 p.

The Last 15 Minutes: Ballistic Missile Defense in Perspective. Joseph Cirincione and Frank von Hippel, eds. Washington, D.C., Coalition to Reduce Nuclear Dangers, 1996. 86 p.

Light Weapons and International Security. Jasjit Singh, ed. New Delhi, Indian Pugwash Society, and Washington, D.C., British American Security Information Council (BASIC), 1995. 170 p.

The Military Utility of Landmines....? Chris Smith, ed. London, Centre for Defence Studies (CDS), 1996. 104 p.

The Nuclear Black Market. Global Organized Crime Project. Washington, D.C., Center for Strategic and International Studies (CSIS), 1996. 49 p.

Space Power Interests. Peter Hayes, ed. Boulder, Colorado, Westview Press, 1996. 237 p.

Testing Times: The Global Stake in a Nuclear Test Ban. Praful Bidwai and Achin Vanaik. Uppsala, Sweden, Dag Hammarskjöld Foundation. 71 p.

Verification 1996: Arms Control, Peacekeeping and the Environment. J.B. Poole and R. Guthrie, eds. Boulder, Colorado, Westview Press, 1996. 468 p.

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